

Message Text

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C O N F I D E N T I A L OTTAWA 03870

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FEA GOLDMAN

E.O 11652: GDS
TAGS: ENRG, SENV, CA, PGOV
SUBJECT: VISIT OF ALASKA OFFICIAL TO OTTAWA RAISES DOUBT
AMONG GOC OFFICIALS ABOUT PRUDHOE GAS FIELD PRODUCIBILITY

1. WALTER PARKER, STATE CO-CHAIRMAN OF ALASKA FEDERAL
STATE LAND USE PLANNING COMMISSION, VISITED OTTAWA
APRIL 26-27 TO CONFER WITH CANADIAN ENERGY, NORTHERN
AFFAIRS AND ENVIRONMENTAL OFFICIALS. DURING APRIL 26
MEETING WITH ENERGY, MINES AND RESOURCES (EMR) OFFICIALS
DIGBY HUNT, RALPH TOOMBS, RICH WINTER, COOPER DRABBLE
AND CHARLES MARRIOT PARKER TOLD CANADIANS:

A. ALASKA CONSERVATION COMMITTEE BELIEVES ONLY 1.9 BCF
PER DAY CAN BE DELIVERED FROM FIELD BY CONVENTIONAL
PRODUCTION METHODS. VOLUMES ABOVE THAT LEVEL WILL REQUIRE
WATER INJECTION AND/OR TAPPING FIELD GAS CAP.

B. ECONOMICS OF WATER INJECTION TO INCREASE PRODUCIBILITY
CONSIDERED VERY CONTROVERSIAL BY STATE CONSERVATION
OFFICIALS AND MANY UNIT OPERATORS.

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C. STATE CONSERVATION COMMITTEE HAS CONTROLLING JURISDIC-
TION ON PRODUCTION TECHNIQUES AND WILL APPLY STRICT CON-
SERVATION STATUTES IN REGULATING MANAGEMENT OF PRUDHOE
FIELD.

D. COMMITTEE WOULD RAISE QUESTIONS ABOUT FEASIBILITY OF
WATER INJECTION AND SURELY DENY ANY APPLICATION TO TAP

GAS CAP.

2. PARKER'S COMMENTS STARTLED GOC OFFICIALS PRESENT. THEY WERE SURPRISED, PERHAPS MILDLY SHOCKED TO LEARN THAT A STATE AGENCY, WHICH THEY HAD PREVIOUSLY NEVER HEARD OF, MIGHT SERIOUSLY BE CONSIDERING LEGAL ACTION WHICH WOULD LIMIT VOLUMES OF GAS TO POINT WHERE ECONOMIC JUSTIFICATION OF OVERLAND PIPELINE ROUTE -- ESPECIALLY ARCTIC GAS -- MIGHT BE SERIOUSLY JEOPARDIZED IF NOT DESTROYED. HUNT RAISED QUESTION RHETORICALLY WHETHER GOC HAD SUBJECTED ITSELF TO AN EXPENSIVE AND EXTREMELY TIME-CONSUMING REVIEW OF PROJECT THAT MIGHT NEVER HAVE BEEN VIABLE IN FIRST PLACE.

3. EMR OFFICIALS WINTER (SENIOR ADVISER, PETROLEUM RESOURCES) AND DRABBLE (SPECIAL ADVISER, PIPELINES) VISITED ALASKA APRIL 30 TO MAY 6 ON EXTENSIVE TOUR OF OIL AND GAS PRODUCTION AND TRANSPORTATION FACILITIES THERE. TRIP ALSO INCLUDED APRIL 29 WASHINGTON STOP TO CONFER WITH DEPARTMENT OF INTERIOR OFFICIALS CONCERNED WITH PIPELINES. IN ALASKA WINTER AND DRABBLE MET WITH STATE OFFICIALS, FEDERAL OFFICIALS, AND UNIT OPERATORS AT PRUDHOE BAY. FURTHER INQUIRY INTO PRUDHOE GAS PRODUCIBILITY WAS PRIORITY ITEM ON TRIP. WINTER TOLD EMBOFF MAY 9 THAT ALASKAN TRIP STRONGLY REINFORCED HIS CONVICTION THAT PRUDHOE GAS PRODUCIBILITY IS VERY CONTROVERSIAL. HE NOW DOUBTS SERIOUSLY THAT FIELD WILL PRODUCE ENOUGH GAS TO JUSTIFY ARCTIC GAS PROJECT. HE IS CONVINCED THAT ARCTIC GAS WHICH DOES NOT HAVE CONFIDENTIAL

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DESIGN FLEXIBILITY TO ADJUST TO LOWER VOLUMES IS A "WHITE ELEPHANT" THAT OFFERS NOTHING TO CANADA BUT TROUBLE.

4. VIEWPOINT BROUGHT BACK FROM ALASKA BY WINTER AND DRABBLE, NAMELY, THAT STATE OF ALASKA CAN AND WILL INTERVENE TO LIMIT VOLUMES OF GAS TO DETRIMENT OF ARCTIC GAS PROJECT, COULD LOOM LARGE IN EMR EVALUATION AND CONSEQUENT RECOMMENDATIONS IN ENSUING GOC CONSIDERATION OF GAS PIPELINE PROJECTS.

5. ACTION REQUESTED: SINCE EMR SEEMS TO BE SERIOUSLY CONCERNED BY WHAT APPEAR TO BE ALASKA STATE GOVERNMENT TECHNICAL JUDGMENTS AND INTENDED REGULATORY POLICY, EMBASSY REQUESTS THAT DEPARTMENT ASK RELEVANT WASHINGTON AGENCIES TO COMMENT ASAP ON DELIVERABILITY OF GAS FROM PRUDHOE FIELD IN ORDER TO CLARIFY FACTS OF SITUATION AND, IF POSSIBLE, GIVE SOME BALANCE TO PERSPECTIVES EMR OFFICIALS ACQUIRED IN ALASKA. ENDERS

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